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November 25, 2003

The Honorable Kate Hanley  
Chairman, Fairfax County Board of Supervisors  
Fairfax County Government Center  
12000 Government Center Parkway, Suite 503  
Fairfax, VA 22035

Subject: Response to Fairfax Coalition for Smarter Growth

Dear Chairman Hanley:

Thank you for your interest in Fluor Daniel's proposal to construct high occupancy toll (HOT) lanes on the Beltway. I am writing to address the issues included in the Fairfax Coalition for Smarter Growth's statement to the Board of Supervisors submitted to the Transportation Committee on Wednesday, November 12, 2003.

Fluor's HOT lane proposal is doable and affordable. It responds to community concerns. HOT lanes on the Beltway will reduce congestion, provide options for commuters and comply fully with the requirements of the federal Environmental Impact Statement (EIS) process.

As to the Fairfax Coalition for Smarter Growth's specific substantive concerns:

1. **Cost:** Fluor estimates that the construction cost of Beltway HOT lane project will be \$693.4 million. Fluor's concept costs 1/3 less than lowest cost EIS alternative – it virtually pays for itself with toll revenue and requires NO NEW TAXES. Instead, construction will be funded by a combination of toll revenue bonds and a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan accounting for 87 percent of the construction cost. Virginia and Fairfax County will have no general or moral obligation for these bonds and loans to be repaid with revenue from the tolls (variable from an estimated \$1 to \$4.80 for one and two passenger vehicles). Adjustments to the toll levels will be made to ensure sufficient revenue to repay the bonds and TIFIA loan and keep the HOT lanes congestion-free. The public investment in the project is estimated to be the remaining 13 percent. Fluor will develop, at its own cost, a more detailed traffic

and revenue model and revised plan of finance once we have signed a development agreement with the Virginia Department of Transportation (VDOT).

2. **Congestion relief:** Commuters will have new travel choices on the Beltway with the addition of HOT lanes. HOT lanes are “free” lanes for HOV 3+, vanpools and express bus services and, through active management, allow commuters to travel at 65 mph 24 hours/7 days a week. Construction will begin in 2005 if the EIS process approves the project, and commuters will begin to see congestion relief by 2009.

With the addition of HOT lanes the number of vehicles using the Beltway will increase 7 percent by 2015 but the number of people being moved (i.e. commuters) will increase 16 percent. That’s because HOV3+, vanpool and express bus service ridership increases by over 120 percent. HOT lanes will reduce congestion on the Beltway and reduce cut-through traffic on adjacent streets and in nearby neighborhoods. This increase in car pooling and bus ridership is almost three times VRE's daily ridership.

We believe HOT lanes will encourage and expand express bus service in Fairfax County. Fluor will meet with area bus operators to find ways to make the HOT lanes more attractive for express bus rider use once we sign a development agreement with VDOT. The development agreement is not a binding agreement to proceed with the project to construction. It is simply an assurance that the Public Private Transportation Act (PPTA) competition period is officially closed. Once signed this gives Fluor the opportunity to continue to invest, at risk, our money to perform additional studies to address any and all remaining issues.

Neither Virginia nor Fairfax County is “obligated” to support express bus service, as the Fairfax Coalition implies. HOT lanes on the Beltway will create an incentive for transit agencies and private companies to offer express bus service that takes advantage of the congestion free HOT lanes and the HOV/HOT network including I-95, I-66, the Dulles Toll and Access Road and the Beltway.

3. **Safety:** Fluor Daniel’s HOT lane proposal will make the Capitol Beltway safer than it is today. During construction, the entire Beltway road will be improved to today’s safety design standards, as will 80 percent of interchange ramps. Our concept eliminates unsafe left entry/exit points from main roadway, as well as reduces congestion, the greatest cause of Beltway accidents today. Commuters in other areas where HOT lanes are already available choose to use them for three main reasons: speed, reliability and safety.
4. **Economic benefits:** Fluor Daniel will provide a fixed price contract with a guaranteed schedule that includes liquidated damages for late completion. This will be a first for Northern Virginia. Bondholders, not taxpayers, bear all revenue projection risk. In addition, the bonds will not count against Virginia’s or Fairfax County’s AAA bond rating. No general or moral obligations by the State or local

government will be included. After the bonds and loans are repaid at least \$100 million per year in revenue would be available to finance other transportation improvements.

HOT lanes reinforce existing residential and business development patterns in a corridor key to Fairfax County's economic vitality. While Fluor Daniel is the general contractor, all construction and development will be completed by Fluor's local Virginia partners.

5. **Environmental impact:** A preliminary study conducted by the Council of Governments (COG) found that adding HOT lanes to the Beltway will result in a slight increase in volatile organic compounds (VOC) and a moderate increase in Oxides of Nitrogen (NOx) emissions. COG also concluded that its estimates, "are conservative, i.e., likely to overestimate emissions." This is because the COG study did not account for emissions reductions associated with a decrease in cut through traffic on adjacent streets and the projected reduction in traffic on the main lines of the Beltway. Further, air quality issues will be fully addressed in the independent EIS analysis, currently being finalized by VDOT.

In addition, Fluor's proposal recognizes the need for storm water runoff retention, more noise walls, and many other environmental mitigation measures and will accommodate them in its final design. Fluor will include all mitigation measures that are required as part of environmental process. We can assure you that our project will be in full compliance with National Environmental Policy Act (NEPA) regulations, the final EIS and the Record of Decision.

The Fairfax Coalition for Smarter Growth also specified some procedural concerns. While most would best be answered by VDOT, we wanted to address a few issues:

1. **Non-competitive contracting:** Under Virginia's Public-Private Partnership Act VDOT, once they received Fluor's Conceptual Proposal, requested competing proposals for 120 days in 2002. No other firms submitted proposals, therefore the law gives Fluor Daniel exclusive right to enter negotiations with VDOT, but *does not*, in any way, guarantee the company the awarding of the contract. As required by the PPTA legislation, VDOT must determine in our negotiations that the price in the final agreements is competitive.
2. **Non-compete clause:** In Deputy Secretary Homer's November 19<sup>th</sup> letter, in response to a similar question from Supervisor Kauffman, he answered this question as follows, and I quote: "Competing facility requirements are quite common in toll road financing, The Commonwealth would need to carefully consider any such proposal. At this time, the Commonwealth is unprepared to accept any limitations on bus or rail facilities in the corridor. The Commonwealth may consider a limitation on the widening of the mainline of the beltway if it could be shown to be in the long-term public interest. The process and terms of any competing facility requirement would be spelled out in a comprehensive

agreement between the Department of Transportation and the private proposer.” Fluor agrees with this position and will not seek limitations on safety and transit improvements in the Beltway corridor as part of any non-compete clause.

3. **Financing:** The Fairfax Coalition is correct in noting that operation and maintenance of the HOT lanes will be VDOT’s responsibility. After we sign a development agreement with VDOT, Fluor will develop estimates of operation and maintenance costs for the HOT lanes. It’s important to note VDOT will also own the HOT lane facility. Fluor does not seek any ownership interest nor will Fluor receive any of the toll revenues. Fluor has developed this innovative proposal and will serve as the general contractor for the design, development and construction in a manner that is consistent with any major road construction project. All of the financial and transportation benefits go to Virginia, Fairfax County and commuters.
4. **Other transit alternatives:** Fluor Daniel’s HOT lane proposal is compatible with future transit alternatives, including rail and Bus Rapid Transit (BRT). In fact the 2001 Virginia Department of Rail & Public Transportation (VDR&PT) rail study assumed HOV (HOT) type improvements would be implemented prior to the introduction of rail. We need both HOT lanes and other transit alternatives to solve the area’s traffic nightmare. Rail alone in the corridor cannot solve the congestion problem, nor eliminate the need for Beltway improvements.
5. **Public Involvement:** As discussed in my presentation to the transportation committee, Fluor’s HOT lane proposal resulted from addressing the concerns presented at the May 2002 Beltway Draft Environmental Impact Statements (DEIS) public hearings. Foremost among these concerns was the displacement of private property. The original 2002 EIS alternatives identified more than 300 homes and business that would have been displaced. In response Fluor’s proposal stays largely within the existing right-of-way with a few small adjustments. As a result, as few as four but no more than six residences and no business properties would be displaced. This and other concerns will be subject to further public comment as part of the five ongoing independent review processes that Pierce Homer, Deputy Secretary of VDOT, outlined in his presentation to the board on November 17, which include:
  - PPTA Advisory Panel and Public Comment
  - Transportation Planning Board Citizen Advisory Committee and Public Comment
  - Final Environmental Impact Statement and Public Comment
  - Constrained Long Range Plan and Public Comment
  - Federal Highway Administration (FHWA) Value Pricing Study and Public Comment

In closing, I would like to take a minute to review Fluor’s commitment to Virginia, Fairfax County and commuters. If selected, we will negotiate and sign a fixed price

contract with a guaranteed schedule including liquidated damages for late completion, for even one day, with VDOT. We are committed to continuing an open dialog with Fairfax County supervisors and citizens during planning, construction and operational phases, including fair, equitable and honest dealings with affected landowners. We like to think that Fluor Daniel's deals have no surprises.

Thank you for this opportunity to respond to the concerns raised by the Fairfax Coalition for Smarter Growth. We hope this letter has provided you with enough information to decide against considering any further delay in providing relief to the Beltway users and adjacent communities. The VDOT EIS decision making process for the Capitol Beltway is now in its 8<sup>th</sup> year. With more and more people entering the Metropolitan Washington everyday, and with congestion continuing to grow, we cannot afford to any wait longer.

As you know, VDOT has scheduled a public interview of Fluor Daniel's concept on December 4, 2003, one of the five public processes mentioned earlier, which will be followed by many other opportunities for public comment and input. We hope that the Board of Supervisors will lend its support to moving towards a development agreement between Fluor and VDOT. Once the development agreement is signed, Fluor will commit, at our risk, the resources needed to complete additional studies on the HOT lane proposal.

We look forward to working with the board, civic and homeowner associations, community groups and the Fairfax Coalition for Smarter Growth to move this important transportation initiative forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Groat', with a long horizontal line extending to the right.

Gary Groat  
Director, Project Development  
Fluor Daniel

cc: Fairfax County Board of Supervisors  
Young Ho Chang, Director, Fairfax County Department of Transportation  
Pierce Homer, Deputy Secretary, Virginia Department of Transportation  
Paul Hughes, President, Fairfax Coalition for Smarter Growth